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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

November 23, 1993

**EX PARTE**

Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Room 222  
Washington, D.C. 20554

Re: MCI Telecommunications Corporation's response to request for  
information in Docket No. 92-77/ Billed Party Preference

MCI is providing the following material that was the subject of an ex parte meeting today attended by Gary Phillips and Mark Nadel of the Policy and Planning Division. Attending for MCI were Mike Cahill, David Jordan, and the undersigned. The focus of the meeting was the issue of call control and fraud in the operator services market.

If you have any questions, please do not hesitate to call me directly at (202) 887-2731.

Respectfully,

Michael Hydock  
MCI Telecommunications Corporation  
Federal Regulatory

cc: Gary Phillips  
Mark Nadel

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FRAUD PREVENTION AND CALL CONTROL  
IN THE OPERATOR SERVICES MARKETPLACE

FEDERAL COMMUNICATIONS COMMISSION  
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\* FRAUD PREVENTION AND CALL CONTROL ARE TWO DISTINCT AND SEPARABLE ISSUES IN THE ALTERNATIVE BILLING SERVICE MARKETPLACE

\* FRAUD PREVENTION RELATES TO THE PROCESS OF MINIMIZING TO THE LARGEST DEGREE POSSIBLE UNCOLLECTIBLES FROM CALLS PLACED THROUGH ALTERNATIVE BILLING ARRANGEMENTS (COLLECT, THIRD-PARTY BILLING, CALLING/CREDIT CARD)

\* FRAUD PREVENTION IS A GLOBAL CONCERN, AND CANNOT BE ADDRESSED TO ONLY ONE SMALL SOURCE OF FRAUDULENT CALLS

\* CALL CONTROL ISSUES ARISE IN PARTICULAR CIRCUMSTANCES WHERE OUTGOING CALL RESTRICTIONS ARE PLACED ON A SUBSET OF CUSTOMERS (EG., CORRECTIONAL INSTITUTION POPULATION). CALL CONTROL RESTRICTIONS CAN INCLUDE FEATURES AS CALLED NUMBER BLOCKING, COLLECT CALL-ONLY, ETC.

\* CALL CONTROL RESTRICTIONS ARE DEvised BY OFFICIALS RESPONSIBLE FOR THAT SUBSET OF CUSTOMERS, AND ARE IMPLEMENTED THROUGH EXISTING CUSTOMER PROVIDED EQUIPMENT (CPE). ADDITIONAL CALL CONTROL RESTRICTION FEATURES CAN BE PROVIDED FROM A NETWORK-BASED OPERATOR SERVICES PROVIDER.

\* BILLED PARTY PREFERENCE WILL HAVE NO IMPACT ON THE ABILITY OF CORRECTION INSTITUTIONS TO PROVIDE AND MAINTAIN THEIR EXISTING CALL CONTROL RESTRICTIONS IN PLACE TODAY. TODAY THESE CPE-BASED CONTROLS ARE DETERMINED BY, AND ARE THE RESPONSIBILITY OF, THE JURISDICTIONS MANAGING THE PRISONS.

FRAUD PREVENTION

\* AS A SOURCE OF FRAUDULENT CALLING, PRISONS ARE ONLY A SMALLER SET OF THE TOTAL ORIGINATING AMOUNT OF FRAUDULENT CALLS. MCI ESTIMATES THAT PRISON-ORIGINATED FRAUDULENT CALLING REPRESENTS ONLY A VERY SMALL PROPORTION OF ALL FRAUDULENT COLLECT CALLS.

\* SINCE PRISONS REPRESENT ONLY A SMALL MINORITY OF FRAUD, A CARRIER PROVIDING OPERATOR SERVICES AND ALTERNATIVE BILLING ARRANGEMENTS MUST PROTECT ITSELF FROM ALL FRAUD, NOT MERELY THIS SMALL COMPONENT OF FRAUD. PARTIES IN THIS PROCEEDING ARE FOCUSING MERELY ON PRISON FRAUD AND ARE DISTORTING THE RELATIVE IMPACT OF PRISON-ORIGINATED FRAUD. AN OPERATOR SERVICE PROVIDER PROVIDING ALTERNATIVE BILLING SERVICES MUST PROVIDE A FRAUD PREVENTION SYSTEM THAT IS UBIQUITOUS AND NETWORK-BASED. FOCUSING ON ONE SMALL ORIGINATION POINT OF THE FRAUD IS COST-INEFFICIENT AND INEFFECTIVE.

\* SINCE THE ORIGINATION OF FRAUD IS RELATIVELY BROAD-BASED AND CANNOT BE ATTACKED AT THAT LEVEL, AN OPERATOR SERVICE PROVIDER THAT WISHES TO MINIMIZE ITS UNCOLLECTIBLES FROM FRAUD MUST PROTECT AGAINST FRAUD USING NETWORK BASED SOLUTIONS, NOT INDIVIDUAL PREMISE-BASED APPLICATIONS. BY USING NETWORK-BASED SYSTEMS, OPERATOR SERVICE PROVIDERS HAVE A LARGER VIEWPOINT OVER FRAUDULENT TRAFFIC PATTERNS, AND CAN MORE SUCCESSFULLY USE SUCH TECHNIQUES AS VELOCITY CHECKING, SELECTIVE INTERNATIONAL COUNTRY BLOCKING, AND DATE BASE SCREENING TO MINIMIZE FRAUD.

\* UNDER THE PRESENT SYSTEM OF PAYPHONE-PRESUBSCRIPTION, OPERATOR SERVICE PROVIDERS CANNOT HAVE A FULL, GLOBAL VIEW OF ALL THE FRAUD TERMINATING ON A PARTICULAR MAIN STATION PERPETUATING EITHER COLLECT, THIRD-NUMBER, OR CALLING/CREDIT CARD FRAUD. IT HAS A PERSPECTIVE ONLY ON ITS OWN TRAFFIC TERMINATING ON THE TROUBLE LINE, AND HAS NO WAY OF DETERMINING WHETHER OTHER SERVICE PROVIDERS HAVE EXPERIENCED FRAUD PROBLEMS ON THAT LINE.

\* UNDER BILLED PARTY PREFERENCE FRAUD PREVENTION OVER ALTERNATIVELY BILLED TRAFFIC WOULD BE DRASTICALLY IMPROVED, BECAUSE ONLY ONE CARRIER WOULD CARRY THE TRAFFIC TO THE LINE NUMBER THAT IS TO BE BILLED FOR THE CALL. CALL VELOCITY CHECKS AND OTHER FLAGS OF POTENTIALLY SUSPICIOUS TRAFFIC WOULD BE MORE ROBUST UNDER BPP SINCE THE TRAFFIC WOULD REFLECT ALL THE UNDERLYING TRAFFIC BILLED TO THAT NUMBER AND WOULD NOT BE SPREAD OVER A MULTITUDE OF CARRIERS.

\* MOREOVER, UNDER BPP, THE LOCAL EXCHANGE COMPANY (LEC) LINE INFORMATION DATABASE (LIDB) WOULD BE QUERIED FOR CERTAIN INFORMATION AT THE OUTSET OF THE ALTERNATIVELY BILLED CALL. THE LIDB WOULD ACT AS A CONCENTRATOR OF CALLS AND COULD SERVE TO HIGHLIGHT SUSPICIOUS TRAFFIC PATTERNS. THE LIDB, IN ADDITION TO PROVIDING AN OPERATOR SERVICE PROVIDER INFORMATION REGARDING ANY RESTRICTIONS ON THE BILLED LINE NUMBER (EG., NO COLLECT CALLING, ETC.), CAN PROVIDE AN AUGMENTATION TO EXISTING FRAUD PREVENTION MECHANISMS. BECAUSE THE LIDB WOULD BE THE CONCENTRATOR OF ALTERNATIVELY BILLED TRAFFIC, SECURITY ALGORITHMS COULD BE DEVELOPED BY THE LECs TO AUGMENT THE EXISTING ALGORITHMS USED BY THE OPERATOR SERVICE PROVIDERS. LECs WOULD HAVE VISIBILITY OVER ALL TRAFFIC, AND THESE LEC ALGORITHMS COULD PROVIDE ROBUST STATISTICS TO ALERT CARRIERS TO TOLL FRAUD.

\* SINCE FRAUD IS MUCH MORE GLOBAL THAN JUST THAT PORTION EMANATING FROM PRISONS, FRAUD PREVENTION VEHICLES MUST BE NETWORK-BASED AND THE IMPLEMENTATION OF BPP WILL ENHANCE FRAUD PREVENTION METHODS. IN ADDITION, TOLL FRAUD PREVENTION POLICIES TO BE DISCUSSED UNDER DOCKET NO. 93-292 WILL PROVIDE ADDITIONAL MECHANISMS TO GUARD AGAINST ALL ALTERNATIVELY BILLED TOLL FRAUD.